

AR59

6 MONTH INTERIM

1993

FOOTHILLS OIL & GAS LTD.

AUDITORS' REPORT
AND
FINANCIAL STATEMENTS

JUNE 30, 1994

Ben Shelley Stuart

BARR SHELLEY STUART

CHARTERED ACCOUNTANTS

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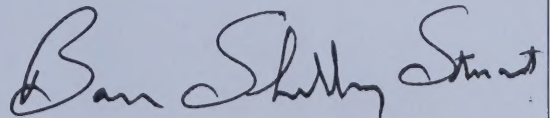
AUDITORS' REPORT

TO THE SHAREHOLDERS OF
FOOTHILLS OIL & GAS LTD.:

We have audited the balance sheet of Foothills Oil & Gas Ltd. as at June 30, 1994 and the statement of cash flow for the period September 3, 1993 to June 30, 1994. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at June 30, 1994 and the changes in its financial position for the period then ended in accordance with generally accepted accounting principles.



Calgary, Alberta
July 28, 1994

CHARTERED ACCOUNTANTS

FOOTHILLS OIL & GAS LTD.

BALANCE SHEET
AS AT JUNE 30, 1994

ASSETS

CURRENT

Cash and term deposits
Accounts receivable

\$ 252,286
1,455
253,741

DEFERRED COSTS

(Note 2)

15,681

\$ 269,422

LIABILITIES

CURRENT

Accounts payable

\$ 2,194

SHAREHOLDERS' EQUITY

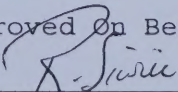
CAPITAL STOCK

(Note 3)

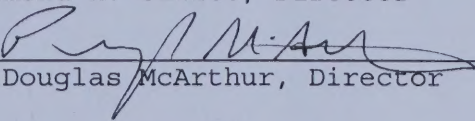
267,228

\$ 269,422

Approved On Behalf Of The Board:



Raymond A. Siwec, Director



P. Douglas McArthur, Director

FOOTHILLS OIL & GAS LTD.

STATEMENT OF CASH FLOW FOR THE PERIOD SEPTEMBER 3, 1993 TO JUNE 30, 1994

CASH PROVIDED BY (USED IN)

OPERATING ACTIVITIES

Changes in working capital balances
related to operating activities

Accounts receivable

\$ (1,455)

Accounts payable

2,194

739

FINANCING ACTIVITIES

Issuance of capital stock

310,000

Costs of issuance of capital stock

(42,772)

267,228

INVESTING ACTIVITIES

Expenditures related to deferred costs

(15,681)

INCREASE IN CASH AND CASH AT END OF PERIOD

\$ 252,286

FOOTHILLS OIL & GAS LTD.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1994

NOTE 1 INCORPORATION

The Corporation was incorporated under the Business Corporations Act (Alberta) on September 3, 1993 and is classified as a Junior Capital Pool corporation as defined in the Alberta Securities Commission Policy 4-11. The Corporation has not commenced operating at the balance sheet date.

NOTE 2 DEFERRED COSTS

The deferred costs represent legal, accounting and other administrative expenses relating to the Corporation's efforts to complete its major transaction.

The Corporation has signed a share exchange agreement which would represent its major transaction. The Agreement calls for the issuance of 10,659,647 common shares and is subject to shareholder approval.

NOTE 3 CAPITAL STOCK

Authorized

Unlimited number of common voting shares

Unlimited number of first preferred shares, issuable in series

Unlimited number of second preferred shares, issuable in series

The directors of the Corporation are authorized to determine the designation, rights, privileges, restrictions and conditions attaching to all of the preferred shares.

Issued 3,400,000 common shares	\$ 310,000
less issuance costs	<u>42,772</u>
	\$ <u>267,228</u>

The 3,400,000 common shares were issued for cash.

Under the requirements of the Alberta Securities Commission and the Alberta Stock Exchange, 2,000,000 common shares are held in escrow. The escrowed shares will be released, upon written consent of the Alberta Securities Commission, as to one-third thereof on the first anniversary of the completion of the Corporation's major transaction. At the time of consent for the first release, approval of the second and third anniversary releases may also be granted to the shareholder.

The Corporation has adopted a Stock Option Plan for its directors, officers, employees and consultants and has granted options to purchase 340,000 common shares at \$0.15 per share. These options expire on October 21, 1998.

FOOTHILLS OIL & GAS LTD.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1994

NOTE 3 CAPITAL STOCK (Continued)

The Corporation has granted to its agent a non-transferable option to purchase up to 140,000 common shares at a price of \$0.15 per common share exercisable at any time prior to 18 months from the date of the listing of the common shares on The Alberta Stock Exchange.

November 14, 1994

**FOOTHILLS OIL & GAS LTD.
CORPORATE INFORMATION**

OFFICERS AND DIRECTORS

Philip A. Coleman
Vice President

Herve B. Collet
Director

P. Douglas McArthur, Q.C.
Director

Raymond A. Siwec
President, Secretary and Director

SOLICITORS

Bennett Jones Verchere
Calgary, Alberta

BANKERS

Canadian Imperial Bank of Commerce
Calgary, Alberta

HEAD OFFICE

3203 24th Avenue N.W.
Calgary, Alberta
T2N 1N5

Phone: (403) 289-5341

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AUDITORS

Barr Shelley Stuart

REGISTRAR AND TRANSFER AGENT

Montreal Trust Company of Canada
Calgary, Alberta

STOCK EXCHANGE LISTING

Common Shares
Alberta Stock Exchange
Symbol: FH

